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UNITED STATES VIRGIN ISLANDS

Working paper prepared by the Secretariat

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UNITED STATES VIRGIN ISLANDS 1/

I. GENERAL

1. The United States Virgin Islands is situated 75 kilometres east of Puerto Rico and comprises about 50 islands and islets, the largest of which are St. Croix (218 square kilometres), St. Thomas (73 square kilometres) and St. John (52 square kilometres). The capital of the Territory, Charlotte Amalie, is located on St. Thomas.

2. The final figure of the 1990 census, released by the Office of the Governor in July 1991, gave the population of the Territory as 101,809 (St. Croix, 50,139; St. Thomas, 48,166; and St. John, 3,504). Females outnumbered males, 52,599 to 49,210. The population included persons of African and European descent. Hispanics and persons classified as other groups. The Territory's delegate to the Congress of the United States of America, Mr. Ron de Lugo, who had challenged the preliminary count of 96,947 released by the Bureau of the Census in October 1990, expressed satisfaction with the final count. The difference of nearly 5,000 was considered an important factor since the allocation of a number of programmes for the Territory, which are funded by the Government of the United States, are based largely on the size of the population.

3. The 1990 census figure, while higher than that of 1980 (96,569) was significantly lower than the mid-census estimate of 110,000 in 1985. A spokesman for the United States Bureau of the Census, located in the Territory, attributed the shortfall to a lower birth rate and net migration. 2/

4. The climate of the Territory is subtropical and is moderated by the trade winds. The Territory has an average annual rainfall of 114 centimetres (45 inches) and lies within the hurricane zone. In September 1989, Hurricane Hugo struck the Territory and caused extensive damage, estimated at over US$ 1 billion, 3/ to the Territory's infrastructure and its residential, commercial and tourist facilities (for details see A/AC.109/1029).

5. In his state of the Territory address on 22 January 1992, the Governor said that the lingering effects of the hurricane were among several major factors that had undermined the hopes of the territorial Government for continued rapid and unprecedented economic growth and expansion. In the same address, the Governor stated that the Federal Emergency Management Agency had denied a request for $7 million (part of a $89.9 million Community Disaster Recovery Loan), with which the Government had intended to balance the budget for fiscal year 1991.

II. CONSTITUTIONAL AND POLITICAL DEVELOPMENTS

A. Constitution

6. The Revised Organic Act of the Virgin Islands, 1954, as amended, 1968-1972, remains the Constitution of the Territory. The Government consists of three distinct branches: executive, legislative and judicial. The Governor, who is the chief executive, and the Lieutenant-Governor are elected jointly for a four-year term.

7. The Governor is responsible for administering all activities of the executive branch, including the appointment and removal of all staff, and executing federal and local laws, including the application in the United States Virgin Islands of those provisions of the United States Constitution that are not inconsistent with the islands' status as an incorporated Territory of the United States. The Governor may recommend bills to the Legislature and veto any legislation, as provided in the Revised Organic Act.

8. The United States Secretary of the Interior has the power to appoint a federal comptroller for the Territory (who may not be a member of any executive department of the territorial Government) whose functions include improving the efficiency and economy of government programmes and auditing and supervising the use of federal funds. Since early 1983, the role of federal comptroller has been assumed by the Inspector-General, United States Department of the Interior.

9. In order to be eligible to register as a voter, a person must be a citizen of the United States, must be 18 years of age or older and must have been a resident of the Territory for 90 days. The Legislature is empowered to prescribe other qualifications provided that no property, language or income qualifications may be imposed and that no discrimination be made on the grounds of race, sex or religious belief. The Absentee Voter's Bill, which was signed into law on 28 July 1972, provides for absentee voting procedures.

10. Since 1973, the Territory has sent a non-voting delegate to the United States House of Representatives. The delegate, whose term is for two years, is elected by majority vote.

B. Judiciary

11. It will be recalled that political, judicial and community leaders have expressed their concerns over the crisis in the judicial system in the Territory and the need to fill two federal judgeships (see A/AC.109/1029 and A/AC.109/1064 and Corr.1).

12. In January 1991, the Acting Chief Judge for the District Court of the Virgin Islands convened an Advisory Group, pursuant to the Civil Justice Reform Act of 1990, under which the 94 federal district courts within the United States system were required to develop plans to reduce costs and delays

in civil litigation. The Act designated 10 of those districts as Pilot Courts, which were required to have their plans in place by 31 December 1991. Other courts were given the option to qualify as Early Implementation Districts; such courts must also report by the same date.

13. The Advisory Group, which held its meetings between 15 April and 11 December 1991, released its report in the latter part of December. In its report, the Advisory Group emphasized that the principal cause of the delay in the progress of civil cases was the lack of judicial resources, which it was powerless to address and which to resolve it could only appeal to the United States Administration and Congress. The Group noted the presence in the Territory of an Acting Chief Judge and several visiting judges from throughout the United States. According to the Group, the principal harm done by inadequate on-site judges was to render trial dates to be less than firm and credible. Out of 94 courts, the Territory was ranked third highest in the number of criminal filings per judgeship; the largest single category of criminal cases was narcotic cases, which frequently involved multiple defendants, complex issues and lengthy trials. 4/

C. Constitutional development

14. Information concerning the outcome of a referendum on the issue of independent municipal bodies to administer the affairs of the main islands in the Territory is contained in the previous working paper (A/AC.109/1064, paras. 17-21). Briefly, the referendum was held in conjunction with the general elections of 6 November 1990. Out of a total of 38,668 registered voters, 13,676 participated in the referendum (8,419 voted in favour and 5,257 against). In January 1991, a court case brought by the Committee for Municipal Government against the Territory's Legislature and the Board of Elections was defeated and the election results were upheld. The Committee appealed the court's decision.

15. It was reported in January 1992 that in a ruling issued on 19 December 1991, a panel of three judges of the Third United States Circuit Court of Appeals had affirmed the decision of a visiting United States district judge, of 9 January 1991, that the referendum for a municipal government had been defeated. The appeals panel did not prepare an opinion outlining the reasons for its decision. A spokesman for the Committee for Municipal Government expressed the Committee's disappointment at the ruling, as well as at the absence of a written opinion. He announced the intention of the Committee to petition for a hearing before the full Third Circuit Court of Appeals and to appeal to the United States Supreme Court, if necessary. 5/

D. Political parties and elections

16. There are three political parties in the Territory: the Democratic Party of the Virgin Islands, with over 18,000 registered voters; the Independent Citizens Movement; and the Progressive Republican Party of the Virgin Islands, each with over 2,000 registered voters.

17. General elections are held every two years for the 15 seats in the Senate of the Virgin Islands, for the Territory's delegate to the United States Congress and to the territorial Board of Education. Elections for the office of Governor and Lieutenant-Governor are held every four years. The position of Governor is limited to two consecutive terms. In November 1990, general elections were held in the Territory to fill the office of Governor and Lieutenant-Governor and to choose the delegate to Congress.

18. In the final results, Mr. Alexander Farrelly and Mr. Derek Hodge, the incumbents, were returned to power as Governor and Lieutenant-Governor, respectively. Mr. Ron de Lugo was re-elected as the Territory's delegate to the United States Congress for a ninth term. That election marked his sixth consecutive term.

19. The elections for the 15 elected seats in the Virgin Islands Senate were contested by 43 candidates, comprising independents and members of the three political parties. Four incumbents, all members of the majority Democratic Party of the Virgin Islands, were defeated. An 11-member coalition led by the Independent Citizens Movement became the dominant bloc in the leadership of the nineteenth Legislature. The next elections for the Virgin Islands Senate are due in November 1992.

E. Future status of the Territory

20. Information on developments concerning the future status of the Territory, including action taken by the General Assembly on 20 November 1990, is contained in the previous working paper (A/AC.109/1064, paras. 27-35). Recent developments are outlined below.

Position of the territorial Government

21. It is recalled that the Commission on Status and Federal Relations, established in 1988, recommended the postponement of the referendum on future status of the Territory from November 1989 to 1991 and, subsequently, to 1993. The three options proposed for the referendum were: (a) statehood and incorporated status; (b) compact of federal relations, commonwealth and status quo; and (c) free association and independence. The Commission, which suspended its work in November 1989, resumed its activities in March 1991 and continued throughout the period under review.

22. In his state of the Territory address delivered in the Senate chambers in the Territory's capital on 22 January 1992, the Governor stated that the Territory should set its course and its energies in determining its future status. He said that the Territory should seek a greater degree of self-determination by participating in federal elections and by attaining voting representation in the United States Congress.

Position of the administering Power

23. In her statements to the Fourth Committee of the General Assembly in October 1991, the representative of the United States said that her Government recognized its continuing responsibilities as an administering Power under Chapter XI of the Charter of the United Nations and was willing to cooperate with the committees dealing with decolonization questions if they were willing to adopt a constructive approach. 6/

24. In a letter dated 4 February 1992 addressed to the President of the General Assembly, the Permanent Representative of the United States to the United Nations reiterated that the United States, as the administering Power, recognized its responsibilities under Chapter XI of the Charter and would continue to fulfil those responsibilities. The Permanent Representative informed the President of his Government's dissatisfaction with the Special Committee and of his Government's suspension of cooperation with that Committee. He stated that the United States desired an environment in which the specific concerns of the remaining Territories could be considered in an open, balanced and objective manner, and in which the administering States would be able to cooperate fully with all the United Nations decolonization committees. 7/

25. On 11 December 1991, the General Assembly adopted resolution 46/68, a consolidated resolution on 10 Territories, including the United States Virgin Islands. In part A of that resolution, the Assembly, inter alia, reaffirmed that it was ultimately for the people of those Territories themselves to determine freely their future political status in accordance with the relevant provisions of the Charter, the Declaration on the Granting of Independence to Colonial Countries and Peoples and the relevant resolutions of the General Assembly and, in that connection, called upon the administering Powers, in cooperation with the territorial Governments, to facilitate programmes of political education in the Territories in order to foster an awareness among the people of the possibilities open to them in the exercise of their right to self-determination, in conformity with the legitimate political status options clearly defined in General Assembly resolution 1541 (XV) of 15 December 1960. The Assembly reiterated that it was the responsibility of the administering Powers to create such conditions in the Territories as would enable their people to exercise freely and without interference their inalienable right to self-determination and independence.

26. In part B, section X of the same resolution, which pertains to the Territory, the General Assembly also reiterated its request to the administering Power to facilitate as appropriate the participation of the Territory in the Organization of Eastern Caribbean States and the Caribbean Community (CARICOM), as well as in various international and regional organizations, including the Caribbean Group for Cooperation in Economic Development of the World Bank, in accordance with the terms of reference of such organizations. The Assembly called upon the administering Power to respond favourably to the request of the territorial Government for the dispatch of a United Nations visiting mission to the Territory.

F. Public service

27. The public service continued to be the largest single employer in the Territory. In December 1991, out of a total of 41,760 employed persons, government employees numbered 13,610 (770 federal and 12,840 territorial). The number of federal employees decreased by 170 from the previous year, while the number of territorial employees increased by 430, compared with the corresponding period.

28. In January 1992, the Governor informed the Legislature that a budget deficit of $37 million was projected for the current fiscal year and that he had instituted an austerity programme to reduce government spending by 7 per cent, which was expected to save $29.6 million. In order to achieve that goal, he ordered a hiring freeze for all but the most essential public employees. For the plan to succeed, all branches of the Government, as well as the University of the Virgin Islands, must be willing to cooperate. He was pleased to note that the heads of the judicial branch and the University had expressed their willingness to accept a 7 per cent reduction in their allotments.

29. The Governor announced the suspension of payments for increases in salaries already negotiated and appropriated for 1992, which was expected to save an additional $13.2 million. In order to reduce the deficit, the Governor also announced the cessation of negotiations for further salary increases during 1992. Non-union increments would also be frozen.

30. The Governor stated that organized labour represents 95 per cent of government employees and that the cost of their salaries and benefits account for approximately 72 to 78 per cent of government expenditures. The Governor noted the substantial improvement in labour-management relations that had taken place since 1987, including the priority given by his Administration to the payment of all retroactive increases due to unionized labour. For those reasons, he stressed that the unions were partners in the management of the affairs of the Government, and that their support was needed in preventing severe financial problems, which would require very stringent and painful measures.

31. During the period under review, industrial action was taken by firemen in the Territory and strike action was contemplated by teachers. A territory-wide sick-out in November 1991 by approximately 200 firefighters closed 6 of 10 fire stations. 8/ In early April 1992, teachers and other public school workers threatened strike action over the failure of the Government to sign a new contract. The Governor refused to sign the contract, which would cover the period 1991-1994, citing a budget deficit. 9/

G. External relations

32. The United States Virgin Islands is an associate member of the Economic Commission for Latin America and the Caribbean (ECLAC) and its subsidiary bodies, including the Caribbean Development and Cooperation Committee (CDCC). It continues to cooperate with other Caribbean and Pacific countries and to participate in conferences and programmes organized by Governments, international organizations and multilateral agencies. The Territory hosted the annual meeting of the Caribbean Conservation Association in August 1991.

33. During the period under review the Territory was represented at meetings of the Special Committee, its Subcommittee on Small Territories, Petitions, Information and Assistance and at an open-ended Working Group established by the Special Committee. Mr. Carlyle Corbin addressed the Fourth Committee on 21 October 1991 as representative of the Governor of the United States Virgin Islands, and on 22 October in his capacity as Chairman of the Working Group of Non-Independent Caribbean Countries of CDCC. 10/

34. The Territory participated as an observer in the activities of the Alliance of Small Island States (AOSIS), a forum of 36 island developing countries in the Atlantic, Indian and Pacific oceans, in the Caribbean and South China seas and in the Mediterranean. The main objective of AOSIS is to focus international attention on the plight of small island developing countries in the face of global warming and climatic change and to consider strategies to cope with the effects thereof.

35. In a related development, on 3 April 1992, the Preparatory Committee for the United Nations Conference on Environment and Development, adopted the revised draft resolution contained in document A/CONF.151/PC/L.57/Rev.1, in which the General Assembly would decide to request the Secretary-General to invite associate members of regional commissions to participate in the work of the United Nations Conference on Environment and Development in the capacity of observers.

36. The Governor of the United States Virgin Islands continued to participate in the National Governors' Conference comprised of Governors of the United States and its dependencies. He also participated in the offshore Governors' Forum comprising the heads of Government of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico and the United States Virgin Islands. On 20 August 1991, the offshore Governors' Forum decided to establish the Alliance of Dependent Territories (ADT), comprising the Governments of American Samoa, Guam and the United States Virgin Islands. The objectives of ADT are set out in the annex to the present report.

37. The special relationship between the Territory and its neighbours, the British Virgin Islands and Puerto Rico, continued to be strengthened. In 1991, the annual United States Virgin Islands/British Virgin Islands Friendship Day was celebrated in the British Virgin Islands. The heads of Governments of the Virgin Islands reconvened the Inter-Virgin Islands Conference in October 1990 and regular meetings of the Conference are now

being held (see also A/AC.109/1100, para. 32). In his statement at the third meeting of the Conference on 4 October 1991, the Governor of the United States Virgin Islands stated that in addition to its symbolic value, the Conference was a very practical instrument of cooperation, where issues of mutual concern could now be examined through direct means. He noted also that the convening of the Conference was indicative of the growing political maturity of the two Caribbean Territories.

38. In his state of the Territory address in January 1992, the Governor declared that the Territory must develop wider contacts with the Caribbean region. He emphasized the continued and enhanced participation of the Territory in CDCC and in the Caribbean Tourism Organization, the resumption of the Inter-Virgin Islands Conference, as well as the Territory's relations with the other United States Territories through the establishment of the off-shore Governors' Forum. In a statement to the Inter-Virgin Islands Conference in October 1991, the Governor announced that the Territory would seek observer status in functional committees of CARICOM during 1992.

H. Other developments

39. As previously reported, the territorial Government and the Government of the United States are engaged in discussions over the transfer of Water Island to the territorial Government upon expiration of the lease to private developers in December 1992 (see A/AC.109/1064, paras. 44 and 45, and A/AC.109/1064/Corr.1). In January 1992, it was reported that the United States Department of the Interior, which has responsibility for Water Island, was planning to have all buildings and improvements on the island assessed. According to the same report, a dispute existed between the federal authorities and the master leaseholder over payments for the improvements.

40. The Territory's delegate to the United States Congress, Mr. Ron de Lugo has proposed legislation that would transfer Water Island to the territorial Government and permit homeowners on the island to purchase the land they occupy.

41. In a related development, it was reported that the United States Army Corps of Engineers would investigate whether chemical and conventional weapons stored on Water Island in 1942 were still on the island. United States federal law requires that, prior to the transfer of federal land, a review should be undertaken to determine whether any potentially hazardous material has been left from military operations on such land. 11/

III. MILITARY INSTALLATIONS

42. The United States Navy currently maintains a radar and sonar calibration station and a headquarters building for its underwater tracking facility. There are permanent recruitment centres for the armed forces and a detachment

of the United States Coast Guard on St. Thomas. The Virgin Islands National Guard is affiliated with the United States Army. The Territory remained a port of call for United States naval vessels and those of its allies. (For recent developments, see the working paper on military activities and arrangements in the United States Virgin Islands (A/AC.109/1110).

IV. ECONOMIC CONDITIONS

A. General

43. The economy of the Territory is based on tourism and related services, construction and industrial development. The Territory is a centre for international business and, since 1985, has been the location of over 80 per cent of the United States foreign-sales corporations. The development of agriculture has remained a priority of the Government's overall policy of diversification.

44. According to the administering Power's report on the Territory for the period 1990-1992, an economic development plan incorporating a comprehensive development plan was being prepared for the Territory, with the assistance of two federal agencies. The final document would serve to help formulate development policies in the Territory in the near future. The Economic Development Committee of the Virgin Islands Senate evaluated plans and projects which affect the economic health of the Territory, including grant applications to the Federal Economic Development Administration. The Committee, which is comprised of 15 members from the public and private sectors, met for the first time in September 1990 and has held several meetings since.

45. The report of the administering Power outlined the constraints to economic development. Limited resources and land mass were an obstacle to economic development and to diversification in other areas of activity. Consequently, a natural disaster such as Hurricane Hugo or a decline in tourism could have a negative impact of major proportions on the local economy, creating a precarious economic base with uncertain revenues and employment. The Territory was dependent on a wide variety of imported commodities whose price changes were promptly felt in the economy. With a small population base, there was little potential for amassing capital and other resources for economic development. Critical skills necesssary for creating or maintaining economic development were often absent or in short supply. In addition, the importation of those services might negate any comparative advantage.

46. The report noted that limitations resulting from scale and remoteness constituted the greatest obstacle to economic growth, particularly industrialization. Remoteness impacted on both the public and private sectors. The Territory was considered to be below the optimum size for efficient provision of public services. The per capita cost of government was inversely related to the size of the population. Changes in technology that

affected services, such as air and ocean facilities, hospitals and waste treatment, required significant capital investments. Many of the services which were performed by the private sector and which were not viable in small communities such as the Territory had to be provided by the Government at a loss or through subsidy.

47. Problems of scale also affected the private sector. Manufacturing or other sectors often could not reach economies of scale by production for the local market alone. Expanding to external markets was difficult because the sector, as a "price taker", was forced to assume all transportation costs. Additionally, the importation of all inputs made it difficult to compete in the world market. It was stated that private sector markets in the Territory were dominated by economic conditions in the United States and that, as a possession, the Territory had limited influence and means to develop economic relations with other countries which would help reduce its economic dependence on the United States. Consequently, when economic conditions in the United States weakened, there was an instant downturn in the Territory's economy with no opportunity for alleviating the condition.

48. According to the same report, community leaders in the Territory, who were interviewed in August 1990, perceived the following constraints as limitations to the economic growth of the Territory:

(a) Lack of partnership between the public and private sectors;

(b) Inadequate public education system;

(c) Lengthy and expensive delays and unreliable infrastructure;

(d) Deficiencies in manpower availability;

(e) Limitations in organizational structure.

B. Public finance

49. On 30 September 1991, the Senate of the Virgin Islands approved an operating budget of $455 million for the 1992 fiscal year. Of this amount, $371.2 million was allocated to the Executive Branch; $10.3 million to the Legislature; $13.5 million to the Territorial Court; and $22.0 million to the University of the Virgin Islands. A total of $38 million was approved for miscellaneous expenditure, which covered, inter alia, the following: $11.4 million for salary increases; $3.4 million for health insurance for government employees and $7.2 million for discretionary appropriations. The Governor had proposed a budget of $450.3 million. 12/

50. On 22 January 1992, the Governor informed the Senate that the Office of Management and the Budget had projected revenues for the current fiscal year at a total of $410.2 million and expenditures of $447.2 million, resulting in a projected budget deficit of $37 million. He announced that the Government

would reduce spending by 7 per cent, which was expected to save some $30 million. Suspension of salary increases already negotiated and appropriated for 1992 would reduce expenditure by a further $13.2 million (see para. 29).

51. It will be recalled that in February 1991, the Governor, in a statement to the Subcommittee on Insular and International Affairs of the United States House of Representatives, had requested an appropriation of $35 million from the Government of the United States for construction grants, for fiscal year 1992 (see A/AC.109/1064, para. 50). It was reported in June 1991 that the United States House of Representatives had approved $23.5 million for the Territory, as part of the budget of the Department of the Interior. The amounts of $3.3 million for school repairs and $8.2 million for the University of the Virgin Islands were not approved. 13/ In his statement before the same Subcommittee on 6 February 1992, the Governor renewed his request for $8.2 million in federal assistance for the University of the Virgin Islands to meet recovery needs from Hurricane Hugo, as well as those for space and facilities.

52. At the same meeting, the Assistant Secretary of the Interior for Territorial and International Affairs informed the Subcommittee that under the President's budget for fiscal year 1993, the United States Virgin Islands would receive an estimated $32.2 million in federal excise tax rebates ($31.3 million in fiscal year 1992).

53. According to the territorial Government, direct federal expenditures in the Territory in 1991 totalled $527 million, an increase of 118.7 per cent over 1990. These comprised governmental grants, $273 million; salaries and wages, $41 million; payments to individuals, $95 million; and procurement and other programmes, $118 million. The last category increased by over 1,080 per cent compared with 1990. 14/

C. Agriculture, livestock and fisheries

54. As previously reported, agriculture played an important role in strengthening the economy of the Territory. It therefore became the policy of the Government to continue to rebuild the agricultural infrastructure by providing suitable land for the production of food and cattle and by offering suitable incentives to farmers and fishermen (A/AC.109/1064, paras. 51 and 52).

55. In December 1991, it was reported that the territorial Government had served eviction notices on 34 delinquent tenants who had reneged on promises to farm lands leased by the Government. The Commissioner for Economic Development and Agriculture stated that he wanted to reserve as much government land for food production as possible. He said that an estimated 81 to 121 hectares of land leased by the Government for farming had remained unused. He noted that there was a long list of persons who wanted to farm but could not do so owing to the lack of suitable government-owned land on St. Thomas and St. Croix. 15/

56. The lack of significant rainfall in the Territory created critical situations for both large dairy producers and small crop farmers. One farmer who owns a 304-hectare ranch on St. Croix stated that the Territory had not experienced such a dry season since the late 1970s. He was of the view that in addition to the drought, the strong winds of Hurricane Hugo had caused salt deposits on the land which had adversely affected the growth of hay. A spokesman for the Department of Economic Development and Agriculture stated that the Government had provided hay at subsidized prices and had long-term plans to grow grass for hay on a parcel of land forming part of the Harvelour properties. The Government was also transporting water by truck to farmers at no cost. The spokesman noted that if such conditions continued, the territorial Government would request emergency assistance from the Government of the United States.

57. The Supervisor of the Cooperative Extension Programme of the University of the Virgin Islands stated that dry conditions affected vegetables more than fruit trees. He advised farmers to make better use of watering in the evenings and to use mulch as ground cover. He considered that drip irrigation techniques provided the most efficient use of water. A spokesperson for the St. Thomas/St. John Livestock Association stated that both crops and animals were suffering as a result of the shortage of water. 16/

58. In November 1991, a representative of the National Park Service of the Virgin Islands participated in the National Forum on Ocean Conservation held at Washington and sponsored jointly by the Smithsonian Institution and the United States National Oceanic and Atmospheric Admninistration. The forum considered such problems as the increase of disease in fish and shellfish, bleached coral reefs, and marauding "alien" marine species, all of which deplete fish stocks. Another concern was the dumping in the ocean of varieties of chemicals in large quantities, which continued to increase each year, creating long-term ecological problems and immediate health hazards. The Territory's representative drew attention to the adverse effects of coral bleaching, noting that coral reefs provided habitats for thousands of species of marine life, as well as protection for land against high seas. 17/

D. Industrial development

59. The administering Power reported that the manufacturing sector continued to play an important role in the Territory's economy. The sector consists of heavy manufacturing industries such as oil refinery and aluminium production, as well as light enterprises, which include six watch-assembly companies and a number of pharmaceutical, garment and electronic industries, all of which benefit from duty-free entry into the United States. A tax incentive programme is provided by the territorial Government to encourage new industries to locate there (see also A/AC.109/1064, paras. 53-56).

60. In his 1992 state of the Territory address, the Governor declared that the issues of industrial growth diversification and local capital formation were critical to the economic development of the Territory and drew attention

to the need to resolve the problems being faced by St. Croix, the main industrial centre. He stressed that the industrial development successes on that island could not continue. He announced the immediate establishment of an Industrial Development Task Force under the chairmanship of the Lieutenant-Governor, assisted by the Commissioner for Economic Development and Agriculture, and the Director of Industrial Development. According to its terms of reference, the Task Force would determine what must be done to attract more industries and hotels to St. Croix, as well as what measures needed to be taken to reopen those that had closed. The Task Force would recommend means for diversifying the economy and for making local capital participation an integral part of the Territory's growth. The Governor stated that he expected to receive both short-term, high-impact recommendations to improve current conditions, as well as a long-term plan for industrial growth, which would provide a viable economy for future generations. The Task Force would include the representatives of the St. Croix business sector and of the Virgin Islands Manufacturers' Association, as well as those of the tourism, labour, education and financial communities.

61. Recent developments in the industrial sector include: (a) the construction of an industrial park on St. Croix, which, when completed, is expected to provide 1,000 jobs and approximately $16 million in salaries, and government revenues of $3.5 million, and (b) plans to construct the first industrial park on St. Thomas. On the recommendation of the Advisory Council of Puerto Rico-Virgin Islands Small Business Administration, local officials were reported to be drafting a plan to upgrade the Small Business Administration (SBA) offices in the Territory. Currently offices in the Territory are outposts of the Puerto Rico chapter. SBA offices in the Territory issued over 6,400 hurricane-related disaster loans, totalling $147 million. 18/

62. According to information provided by the administering Power, the Territory exported $30.6 million in alumina to the United States in 1990. Such exports were last made in 1985, when $9.1 million in alumina were exported. As previously reported, a Swiss-based company purchased the former Martin Marietta aluminium plant on St. Croix and resumed the plant's operations under a subsidiary, the Virgin Islands Alumina Company (VIALCO) (see A/AC.109/1029, paras. 52 and 53).

63. In a related development, it was reported in April 1992 that following the collection of numerous soil and waste samples at the Amerada Hess oil refinery, the United States Attorney's Office and the Environmental Protection Agency investigated possible criminal violations of the United States environmental statutes by VIALCO. The company's attorney reportedly stated that VIALCO was cooperating in the investigation. According to the same article, the company had an annual production capacity of 700,000 tons and employs 400 workers, as well as other subcontract workers. 19/

E. International business

64. The Lieutenant-Governor continued to be the local authority for the regulation and supervision of domestic and international banks, insurance and other companies. United States federal authorities also supervise United States banks and companies operating in the Territory. In 1990, there were 14,795 licensed businesses in the Territory, which generated approximately $1.8 billion in sales and paid $39 million in corporate taxes and $68 million in gross receipt taxes. Bank deposits declined from $1.6 billion in 1989 to approximately $1.4 billion in 1990. 14/

65. The administering Power reported that 80 per cent of the foreign sales corporations were located in the Territory. Press reports indicated that the future of the 3,800 foreign sales corporations registered locally was threatened by New York State legislation designed to increase the State's income, under which parent companies must combine their incomes with their foreign sales corporations operating outside the State, but within United States jurisdiction. The legislation created three categories of foreign sales corporations: "domestic", relating to those based in New York; "foreign", relating to those operating within United States jurisdiction, including the United States Virgin Islands; and "alien", concerning those operating outside of the United States. So as not to lose its advantage, the Territory is seeking parity under the New York State legislation between foreign sales corporations located there and those in alien countries, which are exempted from legislation. The territorial Government received $4 million in revenue from foreign sales corporations in 1990. 8/

66. The Territory's insurance sector continued to face serious problems during the period under review. The territorial Government instituted a plan under which it would provide some assistance to residents following the collapse of American Alliance and American Property and Casualty Insurance Company, leaving policyholders with approximately $55 million in unpaid claims; the departure of three companies from the Territory; and the reduction in services to residents by other insurance companies. In August 1991, the Lieutenant-Governor announced that under the assistance programme, the territorial Government would pay up to 70 per cent, or a maximum of $100,000, in claims to an estimated 1,700 residents. It was subsequently reported the New York-based Continental Casualty Insurance Company had decided to withdraw from the Territory over an 18-month period. The company, which held about $500 million worth of casualty and property policies in the Territory, would attempt to place policyholders with other companies. It was also reported that the departure of the London-based Legal and General Assurance Company from the region had left 3,000 residents of the Territory without insurance. A further 3,000 were affected by the phased withdrawal of Cigna Insurance Company in April 1991. Another company, the Pheonix Tire and Marine Insurance Company, was taken into government receivership in September 1991, leaving 600 policyholders with $13 million in unpaid claims.

67. Other developments included the following: (a) the United States District Court in the Virgin Islands has a 49-count federal indictment pending against the principals in the R.C. Fraites and Associates company for failing to deposit $386,000 in premiums; and (b) both the territorial Government and the major international insurer, Lloyds of London were investigating whether a local company, Jackson Insurance Agency, had illegally sold homeowner policies that claimed to have Lloyd's backing. A member of Lloyd's advisory board who visited the Territory in June 1991 stated that he was aware of 13 policies issued illegally and that the local company had no valid licence to sell non-marine policies on behalf of Lloyds. 20/

F. Tourism and related services

68. Tourism and related services continued to be the Territory's main economic activity, accounting for approximately 65 per cent of the gross domestic product. The territorial Government reported that the number of visitors increased by about 8 per cent, from 1.8 million in 1990 to 1.94 million in 1991. Cruise ship passengers increased by 9 per cent from 1.1 million to 1.2 million. The number of air arrivals, however, declined by 1.91 per cent, from 695,400 in 1990 to 682,000 in 1991. Total tourist expenditure increased by a marginal 0.5 per cent, from $704.3 million in 1990 to $708.1 million in 1991. Total tourism-related employment declined by 3.34 per cent, from 8,370 in 1990 to 8,090 in 1991. Employment in hotels and lodgings remained the same in 1990 and 1991. The number of hotels also remained the same. The number of condominiums and other units increased by nearly 3 per cent. The total number of rental units (hotel and condominiums) increased by 1.7 per cent, from 4,791 in 1990 to 4,875 in 1991. 14/

69. It was subsequently reported that despite weak occupancy figures, several new hotels were at various stages of opening, in anticipation of better times. These include the 90-room Emerald Bay, the 150-room Grand Palazzo Hotel, the 300-room Sugar Bay Plantation, and the 520-room Frenchman's Reef Beach Resort, all on St. Thomas. On St. Croix, the 41-room Kathy's Fancy Hibiscus Hotel was opened in February 1992 and the 114-room Comfort Inn was expected to open in December. It was also reported that the United States-based Marriott Corporation had signed a franchise agreement whereby both the Frenchman's Reef Beach Resort and the adjacent Morning Star Beach Resort would carry the Marriott name. By that agreement the complex on St. Thomas became integrated into Marriott's world-wide system of 232 hotels. 21/

70. In his state of the Territory address, the Governor underscored the developments in the Government's policy on tourism. He stated that as a result of the comprehensive review carried out under his direction, the territorial Government was in the process of implementing many of the recommendations contained in the final report of the Tourism Task Force. A marketing programme to increase St. Croix's contribution to the Territory's treasure had been developed and presented to the business community on that island.

71. Taking note of the fact that several major airline carriers had ceased to serve the Territory, the Governor said that the Commissioner for Economic Development and Agriculture and his staff had been effective in encouraging new airlines to establish air services to the Territory. He said that it was important to obtain replacement air services to the Territory owing to the dramatic growth being experienced in the hotel industry on St. Thomas where, during the course of the current year, four new hotels, one with over 500 new rooms, would open and thousands of new jobs would be available (see para. 69).

72. The Governor also stated that the Territory's efforts at film promotion had continued to show positive results. The recent filming of a major motion picture production had resulted in an intake of $2.5 million in government revenue. He added that coordination of the Government's promotion efforts was meeting with some success.

G. Communications and basic facilities

73. Details of the Territory's capital development programme to restore and replace the infrastructure damaged by hurricane Hugo are contained in previous working papers on the Territory. As reported, the hurricane had caused over $1 billion in damages; external assistance, mainly from the United States, had amounted to $610 million. The Governor had called for further funding to assist in the rebuilding and development of the Territory's infrastructure (see A/AC.109/1064, paras. 62-65).

74. In his state of the Territory address in January 1992, the Governor stated that the implementation of $100 million in infrastructure and capital construction projects was an essential part of the Government's policy to improve the economy. He pointed out that projects under the capital improvement programme helped in repairing schools, health facilities and other public and infrastructural facilities. In his determination to continue to implement the programme, the Governor had given instructions for the establishment of a contingency plan which would allow certain capital projects to continue, while the agreement with a major contractor was being renegotiated.

75. According to the Governor, the Territory would receive funds from the United States authorities for previously authorized projects, to plan, design and build a transportation system to meet the needs of residents and visitors. Under the National Highway System Funding, the Territory would receive $87.5 million over a six-year period, beginning with $12.5 million in 1992 and $15 million each year from 1993 to 1997.

H. Trade

75. The Territory's trade industry continued to be dominated by petroleum products and, since 1990, by the resumption of the production of alumina. The United States continued to be the Territory's main trading partner. Venezuela is the source of bauxite ore, which is used in the production of alumina. The table below indicates the Territory's exports and imports from 1988 to 1990.

		Million of United States dollars			Annual percentage change	
		1988	1989	1990	5 year	1 year
I.	Total exports	N/A	2 402.8	2 820.7	17.8	17.4
	To United States	1 797.6	2 276.9	2 644.8	-1.3	16.2
	Refined petroleum	1 639	N/A	N/A	N/A	N/A
	Alumina	0	0	30.6		
	Other	158.5	-	-		
	Foreign	-	125.9	175.9	32.8	39.7
II.	Total imports	N/A	3 169.7	3 294.7	19.9	3.9
	From United States	1 469.7	1 562.9	1 226.3	-7.9	-21.5
	Crude petroleum	950.6	984.7	487.8	-17.4	-50.5
	Other	519.1	578.2	738.4	18.1	27.7
	Foreign	N/A	1 606.8	2 068.4	27.5	28.7
	Crude petroleum	N/A	1 440.9	1 822.9	32.3	26.5
	Other	N/A	165.9	245.5	38.2	48.5
III.	Rum exports to United States					
	(Thousands of gallons)	2 083	1 813	2 645.0	1.1	45.9
IV.	Watches to United States					
	(Thousands)	3 182	-	-	-	-

Source: Government of the United States Virgin Islands.

77. In November 1991, the Ways and Means Committee of the United States House of Representatives adopted an amendment that would eliminate rum produced by Latin American countries from a list of non-tariff products entering the United States. This action was seen as a victory for the Territory's rum industry; the Territory had been concerned about the competition. Taxes on rum produced in the United States Virgin Islands and sold in the United States, which amounts to approximately $30 million a year, are refunded to the Territory.

V. SOCIAL CONDITIONS

A. Public safety and crime prevention

78. Information provided by the administering Power indicated that public safety and law enforcement in the Territory were extremely limited. The report noted that the territorial Government did not have adequate resources; criminal elements, on the other hand, were engaged in high revenue-producing activities and could afford manpower, high-technological equipment and weapons. It was also noted that crime statistics revealed an increasing number of illegal aliens as both principals and participants in some of the most serious categories of crime. Emphasis was placed on the need for United States federal agencies to increase their assistance to the local authorities in combating drugs and weapons trafficking, prostitution and illegal immigration. Given the required resources - manpower, equipment and funds to cover operating expenses; full cooperation by existing federal agencies; establishment of other agencies - the local public safety and law enforcement agencies would be able to implement their mandates and contribute significantly to the safety of the people of the Territory as well as those of the United States.

79. It was reported in August 1991 that, on a per capita basis, the crime rate in the Territory was much higher than that of the United States. In most categories, the per capita rate was higher than in the United States. The following indicates the incidence of crime in the Territory; the figures in brackets show the per capita crime rate in the Territory, compared with that of the United States: 21 homicides (133 per cent higher); 95 rapes (132 per cent higher); 3,172 burglaries (157 per cent higher); 334 robberies (30 per cent higher) and 855 felony assaults (102 per cent higher). There were 2,088 cases of grand larceny, the only category where the crime rate was lower in the Territory (by 53 per cent) than in the United States. The Territory's Assistant Commissioner of Police attributed the high crime rate to a high population density, a large transient group, as well as the impact of the United States anti-drug initiative, which effectively closed out southern Florida as a major transshipment point of drugs and resulted in the Territory being used as an alternative transshipment area. He noted that a large proportion of crime was drug-related and involved an increasing number of illegal aliens. He called upon the United States authorities to step up operations against illegal aliens, as the situation was beyond the resources of local law enforcement officials. 22/

80. In his state of the Territory address, the Governor declared that the task of maintaining the peace and security of the Territory's streets and homes had become one of the greatest challenges of the current decade. In recent months, however, the Virgin Islands Police Department and the law-abiding public had launched effective initiatives to prevent criminal elements from controlling the Territory's streets and homes. Some of those initiatives had proved successful, while others could be improved.

B. Labour

81. The territorial Government reported that in December 1991, the labour force was 46,000, a decrease of 1,470 from that of December 1990. Total employment declined by 4.1 per cent to 44,600 and the rate of unemployment rose from 2.1 to 3 per cent. The unemployment rate on St. Croix increased from 3 to 4.4 per cent and that of the St. Thomas-St. John's district from 1.4 to 1.9 per cent. Over the same period, non-farm wage and salary employment dropped by 1,760, to 41,760. Gains in government (+260), manufacturing (+50) and wholesale trade (+10) were insufficient to compensate for job losses in the remaining labour market. The construction and mining sectors experienced the most notable job reduction (-1,210). 23/

C. Public health

82. The Virgin Islands Department of Health continued to be responsible for the provision and management of health-care services for the Territory's residents and visitors. Although some services are provided by the private sector, the majority of services are provided by, through, or under the direction of, the Department. The relatively high poverty level contributes to a lower health status of the population.

83. The geography of the Territory requires that each island have a self-contained health system. Similarly, the geography of each island requires that primary care services be decentralized in order to get the services to residents within a reasonable time. The demography of the Territory represents a wide diversity. The immigration of families and individuals has resulted in an influx of illnesses not found in the United States. The emigration of young adults has resulted in the Territory's high proportion of children and older adults, two groups which are the greatest users of health care.

84. Prior to the onslaught of Hurricane Hugo, a comprehensive territorial health plan was being developed. The plan had identified the health status issues, addressed the Territory's health needs and determined the required facilities to meet the plan's goals. The hurricane destroyed much of the new facilities and totally demolished many other health-care facilities. In the aftermath of the hurricane, the Department of Health set out to update and revise the territorial health plan. The revised plan is aimed at promoting health status, assuring a healthful environment, and providing for the accessibility of high quality care at a reasonable cost.

85. In fiscal year 1991, five projects were approved for the construction, renovation and additional improvements to the following: St. Thomas Hospital and the Myrah Keating Smith Clinic on St. John, the Frederiksted and Ingeborg Nesbitt Clinic on St. Croix and mental health long-term care facilities on each island. Funds approved by the United States Department of the Interior for fiscal year 1991 included the following: $10 million for the St. Thomas Hospital ($25.5 million requested); $1.6 million for the Myrah Keating Smith Clinic ($5 million requested); $2.5 million for the Frederiksted and Ingeborg Nesbitt Clinic ($4.3 million requested); and $1.1 million for the mental health-care facilities ($1.5 million requested). A further $15.2 million was requested in federal funding in fiscal year 1992 for anticipated adjustments to some of the above projects.

86. In January 1992, the Governor announced that, by the end of the year, the Territory's health-care facilities and restoration projects should be in progress. He also said that the Territory must continue with its preventive efforts to combat the spread of the human immunodeficiency virus (HIV) and, in the face of an escalating problem in the United States, in the Territory and in the region, to identify and commit urgently needed local funds to fight the acquired immune deficiency syndrome (AIDS). He declared that basic health care was the goal of the territorial Government.

VI. EDUCATIONAL CONDITIONS

87. Education in the Territory is free and compulsory for children up to the age of 16 years. The United States Government provides subsidies to the public education system. There are 24 public, parochial and private elementary and secondary schools in the Territory. Post-secondary education is provided by the University of the Virgin Islands.

88. The Virgin Islands Department of Education is responsible for the supervision of all schools in the Territory. The priorities of the Government's educational policy include upgrading of the curriculum; setting standards for academic discipline and environment; introducing improvement techniques; implementing a drug-free school programme; improving parent-teacher relations; implementing a business education partnership programme and improving vocational education.

89. In 1991, there were 29,336 students enrolled in elementary and secondary schools, an increase of 2.25 per cent over the 28,691 enrolled in 1990. Figures for the number of high school graduates for 1990 and 1991 were not available. In 1989 there were 1,537 high school graduates. The number of graduates of the University of the Virgin Islands increased by 12.7 per cent from 228 in 1990 to 257 in 1991. 14/

90. In his 1992 state of the Territory address, the Governor pointed out that, although some progress had been made in revamping the Territory's educational system, some delays and frustration were still being encountered in the process. He added that since many of the school restoration projects

had been completed, the Government would focus on improving the level and quality of educational services in the classroom. He stressed that the University of the Virgin Islands must be supported to enable it to continue to grow and to take the lead in education in the region.

Notes

1/ The information contained in the present paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United States of America under Article 73 e of the Charter of the United Nations on 7 April 1992 for the period 1990-1992.

2/ The Daily News (United States Virgin Islands), 17 July 1991

3/ The local currency is the United States dollar (US$).

4/ Report and Plan of the Advisory Group of the District Court of the Virgin Islands, appointed under the Civil Justice Reform Act of 1990, 23 December 1991.

5/ The Daily News (United States Virgin Islands), 2 January 1992.

6/ A/C.4/46/SR.3 and 13.

7/ A/47/86.

8/ The Daily News (United States Virgin Islands), 10 December 1991.

9/ Ibid., 2 and 3 April 1992.

10/ A/C.4/46/SR.9 and 10.

11/ The Daily News (United States Virgin Islands), 14 January 1992.

12/ Ibid., 9 and 15 October 1991.

13/ Ibid., 17 June and 5 December 1991.

14/ United States Virgin Islands, Bureau of Economic Research, Department of Economic Development and Agriculture.

15/ Ibid., 5 December 1991.

16/ Ibid., 17 June 1991.

17/ Ibid., 22 November 1991.

18/ Ibid., 26 September 1991.

19/ Ibid., 10 April 1992.

Notes (continued)

20/ The Daily News (United States Virgin Islands), 27 June 1991.

21/ Caribbean Update (New Jersey), May 1992, vol. 8, No. 4.

22/ The Daily News (United States Virgin Islands), 13 August 1991.

23/ United States Virgin Islands, Labour Market Review, vol. 15, No. 1, January 1992.

Annex

ALLIANCE OF DEPENDENT TERRITORIES

The Heads of Government of:
American Samoa
Guam
US Virgin Islands

The Alliance of Dependent Territories (ADT) was established on 20 August 1991 by virtue of the signature of the Seattle Declaration by the Heads of government of American Samoa, Guam, and the U.S. Virgin Islands. Its present membership comprises these same three dependent territories currently inscribed on the United Nations List of Non-Self-Governing Territories.

The Alliance of Dependent Territories has as its objectives:

(i) The promotion of friendly relations and economic and technical cooperation among its members.

(ii) The advancement of participation by member governments in various intergovernmental economic and technical organizations in their respective regions and sub-regions.

(iii) The strengthening of technical cooperation programs between the member governments in the fields of their respective expertise including, inter alia, the areas of disaster preparedness, health care, education, cultural affairs, and environmental protection.

(iv) The enhancement of educational exchange at all levels in promotion of Caribbean-Pacific interchange.

(v) The promotion of the right of peoples of the member territories to self-determination pursuant to the Charter of the United Nations.

(vi) The coordination of policies in matters related to the sea and its resources.

(vii) The achievement of closer cooperation in the constitutional development of the respective member territories.

(viii) The encouragement of the balanced and progressive development of the economies of the respective member territories.